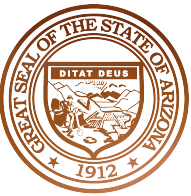


The background features a large, faint, circular seal of the State of Arizona. The outer ring of the seal contains the text "GREAT SEAL OF THE STATE OF ARIZONA" at the top and "1912" at the bottom, flanked by two stars. The inner circle depicts a landscape with a miner, a plow, a sheaf of wheat, and a cotton plant, with a rising sun in the background.

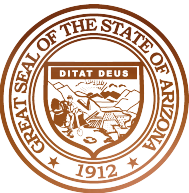
Arizona Department of Weights and Measures

October 16, 2012



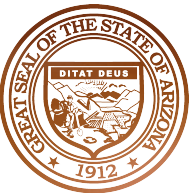
Agency Responsibilities

- Protect the integrity of Arizona's business environment by:
 - Ensuring that commercial measurement devices are accurate
 - Verifying proper labeling of products sold by weight, measurement or count
 - Ensuring prices are posted and are correctly scanned
- Help improve air quality by regulating gas station vapor recovery systems and testing fuel oxygenation



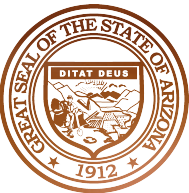
Fee Collections-Total

- All fee revenue deposited in General Fund
- Collected:
 - \$2.47 million in FY08
 - \$2.14 million in FY09
 - \$2.70 million in FY10
 - \$2.38 million in FY11
 - \$2.10 million in FY12



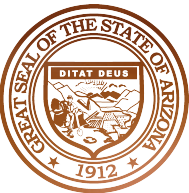
Agency Structure

- Five Programs
 - Licensing
 - Compliance - retail pricing , taxis, scales, accuracy of measuring devices
 - Fuel Program
 - Air Quality Oxygenated Fuel-tests fuel samples to ensure meet standards for air quality
 - Funded by Air Quality Fund-\$1.50/vehicle registration
 - Vapor Recovery-tests fueling systems to ensure not leaking vapors into air
 - Funded by Air Quality Fund
 - Fuel Supply Tracking
 - Enforcement
 - Moving Scams, Credit Card Fraud, Police Investigations, and Other Legal Matters.
 - Metrology
- As a practical matter, an investigator may perform multiple functions from all five areas during a typical day.



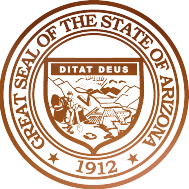
Fee Inventory

- 37 separate fees, major groupings include:
 - Counting devices-such as change machines
 - Linear measuring devices-such as hardware store rope measurers
 - Liquid metering and measuring devices
 - Motor fuel devices (gas pumps)
 - Taxi and non-taxi time measuring devices
 - Scales
 - Gas station vapor recovery construction blueprints
 - Weighmaster and repair contractors for measuring devices
 - Certifications of weight by state metrology lab
- Scales and motor fuel devices are 78% of revenue



Methodology for Setting Fees

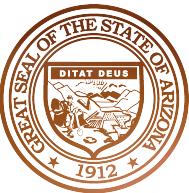
- Weights and Measures fees are set in statute
 - Last major fee increase in 1991
 - Methodology for fee setting unknown
 - Inflation has eroded values of these fees by 36%
 - One exception is the Metrology Lab, where the fee was increased from \$40 to \$110 in FY2011
 - Was the result of a review of other state metrology labs, who all charged higher fees than Arizona
 - Based on the comparables, Arizona fees were raised, but the agency reports that Arizona is still among the lowest



Fees comparison

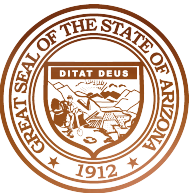
	Arizona	CA	TX	UT	NM*
Motor Fuel Dispenser	\$15 (\$30 vapor area)	\$.03/Gal	\$13.30	\$30	\$85/hr +\$1/mile
Small Scale	\$12	\$16	\$20	\$30	\$85/hr +\$1/mile
Large Scale	\$180	\$200	\$215	\$290	\$85/hr +\$1/mile
Taxi	\$24/car	\$3,600/car	\$160/car	\$110/driver	\$35/car

* New Mexico charges per inspection conducted whereas other states charge an annual licensing fee with no regard to how many inspections conducted at a location.



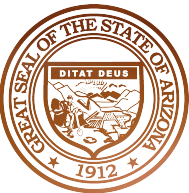
Sustainability-Overall

- Fees vs. costs for agency
 - Five-year average collection is \$2.36 million
 - Agency FY13 total fund appropriation \$3.21 million
 - \$1.47 million General Fund
 - \$1.42 million Air Quality Fund (from motor vehicle registrations)
 - \$0.32 million from Motor Vehicle Liability Insurance Enforcement Fund (from penalties charged for reinstatement of motor vehicle registration)
 - \$305,000 of one-time capital in FY13 GF appropriation to replace large scale truck, ongoing GF expenditures are \$1.12 million.



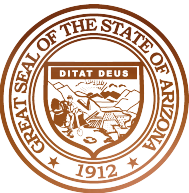
Appropriations since FY 08

(In thousands)	FY 08	FY09	FY10	FY11	FY12
Fee Revenues to GF	\$2,471	\$2,139	\$2,698	\$2,375	\$2,098
GF Appropriation	\$1,640	\$1,594	\$1,316	\$1,198	\$1,165
Net to GF	\$831	\$545	\$1,382	\$1,177	\$933
Air Quality Fund	\$1,545	\$1,344	\$1,423	\$1,410	\$1,414
AQF Transfers to GF		\$108	\$110	\$138	\$130
Motor Vehicle Liability Insurance Enforcement Fund	\$135	\$324	\$323	\$317	\$318
MVLIE Fund Transfers to GF				\$8	\$3



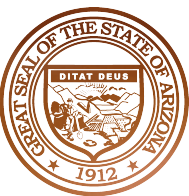
Air Quality Fund

- Arizona has been ruled to be in non-attainment of the requirements of federal Clean Air Act
- As part of our EPA-required State Implementation Plan (SIP), Arizona implemented the Vapor Recovery and Oxygenated Fuels programs at Department of Weights and Measures
 - Funded by Air Quality Fund
 - Per ARS §49-551, the Air Quality Fund is to do:
 - ...Air quality research, experiments and programs conducted by or for the department for the purpose of bringing area A or area B into or maintaining area A or area B in attainment status...



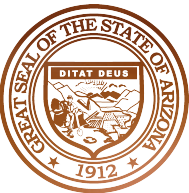
Motor Vehicle Liability Insurance Enforcement Fund

- Per ARS §28-4151 ADOT manages the fund
 - \$50 fee charged for the reinstatement of a motor vehicle license and registration
 - Statute appears to be silent on purposes of the fund
 - In the Department of Weights and Measures, since FY 2006 the fund has been appropriated for taxicab registration, insurance verification, criminal background checks, vehicle maintenance record review, and other safety inspections.



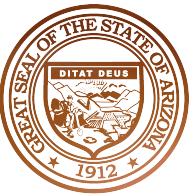
Net GF Appropriations since FY 08

	FY 08	FY09	FY10	FY11	FY12	FY13
GF Appropriation	\$1,640.2	\$1,593.6	\$1,315.6	\$1,197.8	\$1,165.0	\$1,472.5
Less One-time Capital	<u>\$(22.0)</u>					<u>\$(305.0)</u>
Net GF Appropriation	\$1,618.2					\$1,167.5



Impact of Cuts and Sweeps

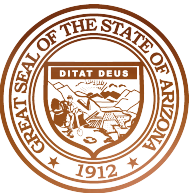
- Excluding one-time capital, GF appropriations in FY13 are (\$450,700) below pre-crisis FY08 GF
 - 28% reduction



Sustainability-Example 1

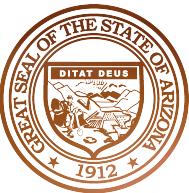
- A gas station (in Maricopa Co.)
 - Investigators checks vapor recovery systems, fuel octane and oxygenation, volumetrics, equipment safety, price, signage, and credit card fraud.
 - Investigators are able to conduct all inspections (not just accuracy of gas pump).
 - Charge flat \$30 annual fee per motor fuel meter
 - A 5 pump gas station, each with two meters, is \$300 in annual licensing fees
 - Given average salaries, allocated costs, an estimated 1 inspector day at the station, and a three year licensing cycle, OSPB estimates \$170 agency cost* per year

* Does not include costs associated with re-inspections, customer complaints, non-compliance enforcement, lab analysis of fuel samples, litigation, and fixed/variable costs.



Sustainability-Example 2

- Metrology Lab – certifies standards for private businesses
 - Example: weights for aerospace manufacturing need to precisely calibrated against weight standards
 - Arizona’s lab is one of 19 labs in US accredited by the National Institute of Standards and Technology (NIST)
- Revenues almost cover the Lab’s expenditures
 - \$110 hourly fee for certification by metrology lab
 - Average revenue in FY11 and 12 of \$92,300
 - Average expenditures in FY11 and 12 of \$124,500



Conclusion

- Agency fees deposited in General Fund
- Major fees comparable with neighboring states
- No significant changes since 1991
- Agency-wide charged fees average 81% of total fund, ongoing agency costs
 - Fees amount to 203% of GF ongoing costs